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# What is the Chief Cause of the Farm Depression?



DISCUSSION  
SERIES B N°1



This pamphlet is the first in Discussion Series B, prepared for the assistance of rural discussion groups through the cooperation of the Extension Service and the Agricultural Adjustment Administration of the U. S. Department of Agriculture. It is not intended to direct attention to any particular point of view or conclusion. The series is an attempt to present in readable, nontechnical language a discussion of issues related to agriculture. It is not offered either as a complete or as an orderly presentation. It is hoped that these pamphlets will be of assistance to rural people who are thinking about these questions for themselves. No statement contained herein should be construed as an official expression of the Department of Agriculture.

Other publications which will be available in this series, Discussion Series B, are listed below. A second series of very brief statements, Discussion Series A, representing introductions to viewpoints, has also been prepared on the same topics. Topics for the two series follow:

1. What is the Chief Cause of the Farm Depression?
2. Do Farmers want the Federal Government to Deal with Farm Problems?
3. Should American Agriculture Seek Recovery of World Markets or Arrange to Live at Home?
4. What Kind of Foreign Trade Policies do American Farmers Want? In Peace Time? In War Time?
5. What Kind of an Industrial Policy is Best for Agriculture?
6. The Farmer and the Consumer of Farm Products—What, If Any, are Their Responsibilities to One Another?
7. Do Farmers Want High Tariffs on Farm Products? On Industrial Products?
8. Should Farm Benefit Payments be Abolished?
9. Farm Prices—How Are They Made?
10. What Kind of Land Prices Would Be Best for Agriculture? For the Nation as a Whole?
11. Will Crop Adjustment Be Necessary or Desirable in Years to Come?
12. What Possibilities and Limitations do Farmers in this County Face in Seeking a Better Balance in Farm Production?
13. What Objectives Are Desirable for Farming as a Business? As a Way of Life?
14. What Should Farmers Seek to Accomplish Through Organization?

Two pamphlets, intended primarily for the assistance of leaders of rural discussion groups and forums, are now available:

1. Discussion: A Brief Guide to Methods.
2. How to Organize and Conduct County Forums.

#### UNITED STATES DEPARTMENT OF AGRICULTURE

The Extension Service and the Agricultural Adjustment Administration cooperating



## What Is the Chief Cause of the Farm Depression?

What is the chief cause of the farm depression? Everyone can tell you the answer to that question. Only it isn't the same answer.

Ask any group of people in your community about it and what will you hear?

You will hear that the real cause of all the trouble was in Europe. You will hear that the real cause of all the trouble was in Wall Street. You will hear that the real cause of all the trouble was in Washington. You will hear that the real cause of all the trouble was in our own back yard.

You will hear something about foreign markets; something about prices; something about tariffs; something about mechanization; something about credit.

You will hear something about economics; something about politics; something about applied science; something about land use; something about monetary policy.

What is then the chief cause of the farm depression?

The pages which follow in this pamphlet do not make any attempt to give *the* answer to that question. What they do attempt is to give briefly some answers as they might be given in a discussion group whose members each said, "*This is the cause of the farm depression.*" (The names identifying the different opinions are fictitious.) Then it will be up to the reader to make up his own mind. He will have to decide for himself what has been at the bottom of the farmers' trouble for the last 10 or 15 years.



Mr. Johnston says the farm depression is due to

LOSS OF  
WAR MARKETS



MR. JOHNSTON says that the whole trouble grew out of the war and a great many people agree. He says that most of us can remember how, before the war, agriculture was in pretty good shape. He himself was raising hogs and making pretty good money off them. When he drove to town and unloaded his hogs in the stockade by the railroad track he never bothered, particularly, about where they were going after that. They seemed to find their way to market without much trouble.

Then came the war. Prices rose on the news, sagged some, and then began a steady climb. In the next years he sold more hogs than he had sold in all his life. He bought more land to plant more corn to raise more hogs.

Farmers everywhere expanded their acreage in most of the important crops. They wanted to produce more goods to sell at rising prices. After the United States entered the war they had another reason. The appeals of the government to Raise More Wheat and other products as a patriotic act caused further acres to be opened up. When the war was over, 40,000,000 acres that had been prairies, pastures, or woodland when the war started were growing crops.

On this excess acreage, says Mr. Johnston, the seeds of trouble have grown to a full-sized crop.

The army was demobilized when the boys came home. The swords were put away. But the ploughshares, which had multiplied along with the swords, kept on furrowing the soil as though thousands of camp kitchens had still to be supplied with bread.

The European farmer returned home from the trenches and restored his fields. Within a few years after the armistice, 40,000,000 European acres which had gone out of cul-



tivation while 40,000,000 American acres were being opened by the plough were back in production again.

Nor were the European nations content to stop with restoring their pre-war farm production. War blockades, by cutting off the movement of foodstuffs from one country to another had given too much concern to the high commands and had caused too many families to stand in lines at the grocery store. Nobody likes to eat bread made out of straw or drink coffee made out of grain. So in the latter part of the 1920's nation after nation in Europe determined to be as nearly self-sufficing as possible. In order to encourage home production of foodstuffs and fibres, imports were restricted and government aids to agriculture were multiplied. As a result, European demand for many American farm products shrank from the tremendous totals of the war years to totals less than in the years before the war.

The chief cause of the farm depression, therefore, repeats Mr. Johnston, lies in the acres that stayed in production after Europe's No Man's Land was restored to use as productive farms.

Mr. McLean says the farm depression is due to

**PILING UP  
OF CARRYOVERS**



**M**R. McLEAN thinks Mr. Johnston has the right idea. Another way of getting at it is to look at the carry-overs of excess products that piled up in this country as exports declined. You can get a pretty clear idea of what (besides the seeds of trouble) was growing on those excess acres Mr. Johnston was talking about if you will look into the warehouse records of the country and see what unsold commodities were taking up space there towards the end of the



1920's and the early 1930's. If you'd looked into the central grain elevators in 1932 you'd have seen about half a year's wheat crop. That wheat had moved off the farms and out of the country elevators all right, but at the other end of the line there was nobody who seemed to want to eat it. If you'd looked into the central cotton warehouses you'd have seen a whole year's cotton crop that nobody seemed to want to buy. The same thing was true of the other big export commodities. Such a look around makes it mighty plain that there were too many acres being farmed for the markets then available.

Mr. Cordley says the farm depression is due to

**TRADE BARRIERS**



MR. CORDLEY agrees that the number of acres cultivated by American farmers, and the crops raised upon them in the years after the war, may have been too large. But he insists the blame for the farm depression doesn't rest on the farmer. Certain government policies, not made with the farmers' interests in mind, made post-war markets shrink.

Mr. Johnston himself mentioned the importance of import restrictions in strangling American farm export markets. If tariffs had not been pushed up all over the world in the years after the war, many of the American farm products available for export would have been used abroad instead of piling up in American warehouses.

Now who was responsible for building those tariff walls sky-high?

Mr. Johnston spoke about how the European people wanted to be self-sufficient. That surely had something to do with it.



But the biggest influence causing the Live-At-Home attitude of European nations in the years since the war was the influence of the United States.

It's all very well to say that the American farmer in the 1920's went on behaving as though the war in Europe was still going on. That was bad enough. But so far as international trade was concerned the whole American people, in the 1920's, went on behaving as though the war in Europe had never started.

When the war began, America was a debtor nation. We owed  $2\frac{1}{2}$  billion dollars, net, abroad. We were paying the interest and principal on that debt by exporting more than we imported. And a full half of the goods exported were agricultural commodities.

When the war was over, America was a creditor nation with  $12\frac{1}{2}$  billion dollars, net, owed to us from abroad. If we were to receive the interest and principal on that debt we had to import more than we exported. And if we were to continue the exports that used to pay for the debts we owed abroad, we had to take imports for those goods, too.

What did we do about it? We raised our tariff.

The Tariff Act of 1922, by increasing existing duties, further limited the quantities of goods which foreign nations could send in to pay their debts and to pay for American goods sold abroad.

That was our first move. Our second move was to add further loans, advanced by American private creditors to borrowers abroad, to the  $12\frac{1}{2}$  billion dollars worth of net debts already owed to us. Those loans increased to  $21\frac{3}{4}$  billion the value of foreign goods and services which America had to take if she was ever going to be paid. But was that move matched by measures making it easier for imports to come in? Not so you'd notice it.

Then in 1929 discussions were begun in Congress which ended in the Hawley-Smoot Tariff of 1930. By that tariff the United States became the most highly protected nation—bar one—in the world.



No wonder foreign nations defaulted their debts to us. No wonder the foreign markets shrank. The Live-At-Home attitude adopted by many other nations was natural enough when the United States practically told them to Stay-At-Home so far as trade with us was concerned.

No small amount of the farm depression can be traced to our policy of behaving, in the 1930's, as though we were living before the war. Our post-war exports' market has certainly been too small, but how could it be otherwise when we deliberately pursued policies that could not fail to make it smaller and smaller?



**M**R. FOLSOM says that he has his doubts about how big the foreign markets are that are left to American agriculture anyhow.

Mr. Cordley gave the impression that if tariff walls were knocked down, export prospects would once more be bright and shining.

Not likely, at least not for some products. The American wheat grower of today must not forget that while land values were rising in the United States during the war, thousands on thousands of new, low-cost acres were being opened in Canada, the Argentine, Australia. The competitive position of these acres in the world market today is like the competitive position of American acres in the world market before the war. They can't compete.

And they certainly can't compete if the government keeps on doing everything it can think of to keep American prices up.



Economics and politics don't mix. The low-cost producer is going to get the market in the end, and ought to get the market. Every time the government comes along the way it has for the last 15 years and says it's going to help the farmer it only throws a monkey wrench into the machine. If the government would get out of business and let the farmer and everybody else take their losses and get over it, the farm business and every other business would get straightened out.

The traditional American conception puts emphasis on the man, the individual, while the new conception aims to turn the nation into the equivalent of a beehive or ant hill, a form of society in which the individual counts nothing, in which the group alone is considered. In the new conception the individual human being is seen as having the status that a bee has in the hive or an ant in the ant hill—the individual wholly subject to the will of the group, the individual having no rights that the group need respect; the individual forbidden to act for himself or to look out for himself or to save for himself—the individual told to rely upon the state for all his security, all his well-being.

What is the underlying ideal of a free competitive system of business? Such a system conceives of a given industry as an opportunity for service to the rest of society, that service to be rendered at the time and place that society requires it, and to be rendered at the lowest possible price consistent with a reasonable profit. It relies upon the competitors within that industry automatically to maintain the price level, which will be prevented from going too high by competition and from going too low by the inexorable law of economics which would destroy the capital invested through losses incurred, due to too low a price structure.

Is this free competitive principle of business worth saving?

It was because here in the United States above all other places a man by his own efforts and industry and thrift could advance himself and procure for himself and his family advantages he could secure nowhere else, that we



attracted the adventurous, progressive spirits from all the countries overseas. It was the freedom and the opportunity our system offered that brought them here, and it was the freedom and opportunity they enjoyed after they arrived that made America what it is today. No one will deny that it has been this characteristic of life in America that has made American initiative, enterprise, and invention the envy of the rest of the world.



MRS. LYONS says she was glad to hear Mr. Folsom, for she thought it was about time somebody brought the discussion a little nearer home. It's all very well for people to look for the cause of the farm depression in Europe, but to her mind a good deal of it could be located in wrong ways of doing things right here at our own back door.

The belief that we can escape from depression and recapture prosperity by shackling all initiative is illogical. Only in abundance can we find security, and free men, free enterprise, and free government alone can provide abundance.

The farmers got themselves into this hole, and ought to get themselves out. Look at what Mr. Folsom said about our land prices and the world market. It wasn't so much the overseas war markets that ruined the American farmer. It was the bidding up of farm land here at home. Years ago a farmer could afford to take prices that were too low for his products—he could even afford to take them over a good many years—because when he got through farming he could sell his place for enough more than he paid for it to make up for all the low prices he'd had in the years between.

Then when the war came, what happened? American land, at least in the more fertile farm areas, was no longer low-cost



land. But did that keep farmers from going on a jag of land speculation when prices rose after 1914? It did not. With the exception of the States north of the Ohio and east of the Mississippi, the value of farm land in every division of the country just about doubled.

Farmers who were already established bid each other up to increase their holdings. Newcomers who came in made it well worth while for old folks to retire.

People who bought land at those rates might have known they couldn't earn interest on that much capital.

If the farmers of the war period had been willing to sit on the bulge when the boom started, present land values, instead of making sales look like losses, would have represented an orderly advance over the values of 1910-14.

**Mr. MacGregor says the farm depression is due to**

**THE BURDEN OF DEBT**



**M**R. MACGREGOR says if the farmers whom Mrs. Lyons was talking about had paid for their land when they got it, they could have accepted low returns on their capital in the years after the war without suffering as they did. But mighty few of them did pay for it. Most of the land that changed hands during the war was financed by mortgages. Most of the mortgages ran for 5 years. The price that the farmer had to pay for the use of that money averaged around 6 percent. After the war when the price of farm commodities came down the price of money stayed just where it had been when those mortgages were made. If you want to see what made the farm depression all you have to do is to look at the record of mounting farm debt and of mounting foreclosures by financial institutions.

Then too, if the Government had taken action in time, the farmer could have been relieved of a good deal of his



debt burden. The monetary policy of the 1920's was not concerned with the welfare of the farmer. A policy of easy money, and devaluation of the dollar long before it took place, would have kept a lot of farms off the auctioneer's block. The trouble was, the value of gold had got out of line with the value of other commodities. Measured in terms of commodities, the gold content of the dollar in 1933 was about twice what it was in such a year, say, as 1926. With proper management, it would be possible for us to have a currency such that we could pay our debts in dollars of the same size as the dollars we borrowed when we took on the obligation. Everybody knows how many more bushels of wheat it took to pay a given amount of interest in 1932 than in 1926. If we'd had a proper monetary policy this wouldn't have happened.

Mr. Norris says the farm  
depression is due to

**TAXES GOING UP**



MR. NORRIS says he'd like to add a word about taxes to what Mr. MacGregor said about interest rates. He kept books on the cost of operating his farm pretty carefully, and he knows what made the pinch. There is scarcely an economic ill anywhere in our country that cannot be traced directly or indirectly to high taxes. To increase that burden is to disregard the general welfare. Through constructive economy, to decrease taxes is to enlarge the reward of everyone who toils. Tax rates not only rose during the war period, when the farmer was in a position to pay them—they kept on rising when he wasn't in a position to pay them. There would have been a lot less depression on the farm if a properly adjusted tax system had kept the sheriff from the door for the last 10 years.



Mr. Beckwith says the farm depression is due to

**RISE  
IN  
PRODUCTION COSTS**



**M**R. BECKWITH says that the last two speakers have begun to touch the core of the whole matter. What has made trouble for the American farmer in the last generation, has been a shift from a system in which a great many of the things the farmer used in production were raised on the farm to a system in which a great many things the farmer uses in production—and for the farm family living too—come from the city and have to be paid for in cash.

Before the war, the farmer bought his implements from the city. But the power that moved those implements and took the family to town on Saturday and to church on Sunday—the 24,000,000 horses and mules on farms in 1910–14—was not only produced on the farm but fed on farm produce.

The shift from horses to horsepower made not one but several changes in the cash economy of the farm:

(1) It stepped up the farmers' implements bill, including autos and trucks, from 239 million dollars in 1910 to an average of 651 million dollars during the 1920's.

(2) It stepped up the cost of running the tractors, autos, and trucks by the difference between 4 million dollars in 1910 and 483 million dollars in 1930.

(3) At the same time the disappearance of the horse from both farm and city left the farmer with about 37 million acres of land on which he had formerly grown feed and for which he had now to find new uses.

Now it is true that these changes made for increased production—production per farm rose from \$1,411 to \$1,948 between 1909 and 1929. But they made for a lot of other differences that made times harder rather than easier.

They left the farmer with more bills to pay in cash, and as the depression grew the share of his income that went to pay those bills got larger and larger.



The prices of the things farmers buy didn't come down with the prices of the things farmers sell. The prices of farm produce moved down under the pressure of a free market. The prices of city-made goods, in lots of cases, were held up by the big corporations because they had enough control to do it. So we had an economic system with two kinds of prices, controlled industrial prices and free farm prices.

The big changes in production methods in the last generation were bound to make plenty of trouble for the farmer in themselves. But when they were combined with a price system that was one thing for the farmer and another thing for the big corporation, no wonder we had a depression.

Mr. Ross says the farm depression is due to

**RIGID CITY PRICES**



MR. ROSS doesn't think Mr. Beckwith carried what he said about prices quite far enough. A little while ago, Mr. Johnston said that back in 1916 he was raising hogs. Well, says Mr. Ross, back in 1916 he was working in an automobile factory and living in the city. In fact, he didn't come back to the country until 1929—just in time to beat the big rush!

Well, if Mr. Beckwith and Mr. Johnston noticed a lot of difference in the way farm products are raised during those years, it was nothing to what was going on in the city. The changes right in the automobile factories themselves would make your eyes pop. And the changes in the whole life of the city, buses, electricity, radio, apartment houses—made the changes in the country look pretty slow.

If you look at it from one point of view, the farm depression was just a side-kick of the city depression. Look what happened.



The city had more and bigger changes in the way it was living to cope with than the country. On top of that, there was the price business Mr. Beckwith was talking about. Controlled industrial prices made more difference in the city than in the country. When industry held prices up, what was it really doing? It was failing to pass on, to city workers and the other people (including farmers) who buy its products, the low costs resulting from machine mass production.

Profits from falling costs did not go to the people who would spend their money for the goods the factories made. The profits went to people who invested them in building more factories. That was how our capacity to *make* got bigger than our capacity to *buy*.

Then factories that didn't have buyers for their goods began to shut up. Wage earners lost their jobs. When that happened, farmers lost their market for foodstuffs. That's why I say the farm depression was only a side-kick of the city depression. If the cities had passed on purchasing power to the workers in their factories the farmer would have had a good home market, even if his markets abroad had faded out as earlier speakers have said.

**Mr. Herrmann says the farm depression is due to**

**CHANGES IN  
HOME MARKETS**



**M**R. HERRMANN says that while Mr. Ross is right that farmers would have been a lot better off if they'd had a good home market when their foreign markets faded out, they'd still have had to make changes to produce the things people want to buy nowadays. People who come into his store don't ask for the same things they used to. New tastes are showing themselves in the market for both foodstuffs and fibers.



Twenty-five years ago the average American ate about 210 pounds of wheat flour every year; today he eats only 175 pounds.

Twenty-five years ago, the average American had green vegetables and fresh fruit only in season; he ate about 20 pounds of citrus fruit a year. Even as late as the end of the War, he had only about 7 pounds of lettuce and 5 pounds of celery a year. Today he eats these products all year around, and uses about 13 pounds of lettuce, 8 pounds of celery and 40 pounds of citrus fruits a year.

Then take fibers. Not so long ago, our cotton crop was fed almost exclusively to the machines of the world textile industry. Today, the textile industry takes not much more than a third of the American cotton consumed in this country; almost two-thirds of the fiber, not to mention the linters and the seed that used to be thrown away, goes for other than textile uses. Such a change draws agriculture into the industrial cycle. Clothing is such a primary need that people keep on buying cotton cloth even during depressions. But the halt in industrial production of less necessary goods, whenever trade lags, is now of first importance to the growers of two-thirds of our cotton crop.

All these changes touch the long time plans of the farmer, and the farm depression is likely to go on until farmers reckon with its deepest roots as well as with what shows on the surface.

Miss Riley says the farm depression is due to

SHIFTS IN  
POPULATION



MISS RILEY says she would like to ask Mr. Herrmann if he doesn't think the long-range causes of the depression have as much to do with the market for farm people as they do with the market for farm products.



Through the 1920's, the cities provided work for about half a million farm young people every year.

During those years, agricultural production per person farming was on the up grade.

After 1929, when factory after factory shut down or went on part time, there were no jobs for the generation that reached working age during those years. In fact many of the farm young people who had got jobs earlier lost them and came back home to take refuge on the farm. Nobody has to go further than the rural school enrollment records to see what's been happening. In 1926, when the new schoolhouse was built, says Miss Riley, she thought her days of teaching overcrowded classes were over, but after 1930 she had more children than she ever did before.

As a result of the migration from the city, agricultural production per person on farms started on the down grade.

Furthermore, most of the people returning from the cities went to the poorer farms. Standards of living that were already low could not support more people without falling lower.

In considering the underlying causes of the farm depression, we must face the fact that the rate of increase of city jobs, particularly unskilled jobs, is likely to be more gradual in the future than in the past. What then becomes of rural youth, and of the farm production which supports it?

Mr. Holmes says the farm depression is due to

**INCREASING  
FARM TENANCY**



**M**R. HOLMES says that a good part of the pressure of population on our poor lands is due to the difficulty of getting access to good lands. The forced sales and foreclosures that Mr. MacGregor and Mr. Morris were talking about have turned many farmers into tenants, and many other tenants



have never been able to own their own farm because they couldn't get credit. As a result, the number of our farms run by tenants has been steadily growing, and has grown particularly fast during the last ten years.

Unless tenancy is a step on the ladder to ownership, land farmed by tenants is bound to get less care, from a long term point of view, than land farmed by owners. No long-term discussion of farm depression can blink the problem of farm tenancy.

**Mr. Schaffner says the farm depression is due to**

**FAULTY LAND USE**



**M**R. SCHAFFNER says that Miss Riley came pretty close to the bullseye when she brought poor farm lands into the picture.

The amount of poor land in cultivation is clear enough when you remember that 28 percent of the farms in the country produce less than \$600 worth of products a year. Lots of farmers are farming soil which because of natural poverty, erosion, or over-cropping cannot possibly yield a decent return to the effort of the men who are tilling it. Until we get a well-worked-out program of land use in operation, the marginal land in production in this country is going to keep a large part of our farm people in a state of permanent depression.

The preceding pages have summed up in short form a number of different opinions on the chief cause of the farm depression. All of these views are likely to be heard in the course of a discussion of the subject. But, as stated on the first page, these are by no means all the views that are likely to be heard.

Every discussion of the subject, what is the chief cause of the farm depression, is likely to go on from analyzing what



the causes have been to suggesting what can be done about the resulting situation. The number of suggestions for action is probably at least as great as the number of suggested causes of the depression. The above pages, not being concerned with programs of action, merely sketch some of the possibilities of the forum method as applied to the problem of the cause of the depression.

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IF YOU

Were Chairman of This Discussion

HOW Would *You*

Sum Up What Has Been Said?

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*How do You Rate These Causes  
of The Farm Depression ?*

RATING

*Loss of War Markets (Johnston)*

*Piling up of Carryovers (McLean)*

*Trade Barriers (Cordley)*

*Modern World Competition (Folsom)*

*High Land Prices (Mrs Lyons)*

*The Burden of Debt (Mac Gregor)*

*Taxes Going Up (Norris)*

*Rising Production Costs (Beckwith)*

*Rigid City Prices (Ross)*

*Changes in Home Markets (Herrmann)*

*Shifts in Population (Miss Riley)*

*Increasing Farm Tenancy (Holmes)*

*Faulty Land Use (Schaffner)*

